

Service Date: January 5, 1984

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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In the Matter of the Application        ) DOCKET NO. 83.8.58  
of MONTANA-DAKOTA UTILITIES COMPANY    )  
for Authority to Decrease Rates for     ) ORDER NO. 5020a  
Natural Gas.                                )

ORDER APPROVING TARIFF DECREASE

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FINDINGS OF FACT

1. On October 5, 1983, Montana-Dakota Utilities Company (MDU, Company) filed a written request for approval to implement a "Special Residual Fuel-Oil Based Industrial Gas Service Rate 90" (Rate 90). The Commission at that time decided to consider the request in conjunction with Docket No. 83.8.58, MDU's general gas rate increase application.
2. On December 20, 1983, MDU filed a further request for immediate approval of Rate 90, following a substantial reduction in purchases by Great Western Sugar.
3. Because of market inefficiencies created by rising gas costs under the Natural Gas Policy Act (NGPA) and falling oil prices due to abundant oil supply, some large industrial customers are induced to switch from gas to oil. This is particularly true of industrials who currently have dual or multiple fuel boilers and are not faced with conversion costs.
4. Loss of large volume customers would likely have adverse

impacts on all customer classes. The primary impact would result from the loss of contributions toward recovery of fixed system costs.

5. Based on the philosophy that "recovery of a portion of the system fixed cost from the industrial customers is better than no recovery at all," MDU proposes to mitigate the impacts of the fuel oil competition with Industrial Rate 90.

6. Rate 90 was designed to cover MDU's six Montana industrial customers with immediate fuel switching capability. Therefore, it is limited to customers with annual loads greater than 100,000 Mcf, and who have the capability to burn high viscosity residual fuel oil.

7. Rate 90 consists of a flexible commodity charge with a base price of \$4 per Mcf. This charge is increased or decreased to track fuel oil price changes when such changes are greater than 1.5 percent. Fuel oil price is deemed to be the average of the wholesale prices for No. 6 residual fuel oil for U.S. Tank Car Truck Transport Lots in the Minneapolis, Minnesota, area as quoted in The Oil Daily for the most recent trading day occurring on or before the first day of the billing month.

8. Rate 90 may not exceed MDU's Industrial Gas Service Rate 85. In addition, it may not fall below the average cost of gas purchased from producers during the month when deliveries occur, plus 10 percent.

9. On December 12, 1983, Great Western Sugar advised MDU that it had purchased stocks of No. 6 fuel oil and was reducing its consumption from 2800 Mcf to 400 Mcf per day. Great Western is a seasonal consumer, using most of its

requirements during sugar beet campaigns, which conclude round the end of January.

10. The Montana Consumer Council has stipulated to the temporary implementation of Rate 90.

11. The Commission believes that MDU is probably correct in asserting that its customers who are not entitled to Rate 90 will be worse off if the rate is not Implemented than they will if it is. Therefore, the Commission finds that Rate 90 should be implemented for a 90-day trial period, as requested. It should be noted, however, that this issue will be examined once again in this docket, and the Commission is not committed to permanent implementation of the rate.

#### CONCLUSIONS OF LAW

1. The Applicant, Montana-Dakota Utilities Company, furnishes natural gas service to consumers in Montana, and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission. §69-3-101, MCA.

2. The Commission properly exercises jurisdiction over the Applicant's rates and operations. §69-3-102, MCA, and Title 69, Chapter 3, Part 3, MCA.

3. The rate level and rate structure approved herein are just, reasonable, and not unjustly discriminatory. §69-3-330, MCA.

#### ORDER

NOW, THEREFORE, IT IS ORDERED that Montana-Dakota Utilities proposed Rate 90 be implemented for a 90-day period as described in the Findings of Fact above.

This Order is effective for services rendered on and after

December 22, 1983.

DONE IN OPEN SESSION at Helena, Montana, this 22nd day of  
December, 1983, by a 4 - 1 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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THOMAS J. SCHNEIDER, Chairman  
Dissenting

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JOHN B. DRISCOLL, Commissioner

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HOWARD L. ELLIS, Commissioner

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CLYDE JARVIS, Commissioner

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DANNY OBERG, Commissioner

ATTEST:

Madeline L. Cottrill  
Commission Secretary  
(SEAL)